Voluntary - Public

Date: 4/2/2014
GAIN Report Number:

Afghanistan

Post: Kabul

Grain and Feed - Afghanistan

Report Categories:
Grain and Feed
Approved By:
Scott Reynolds
Prepared By:
Jahrullah Safi and Dena Bunnel

Report Highlights:

FAS/Kabul (Post) forecasts marketing year (MY) 2014/15 wheat production at 5.2 million metric tons (MMT), up two percent from last year due to greater water availability, better snow accumulation during the winter and favorable weather conditions. Post forecasts Afghanistan's MY 2014/15 rice production at 520,000 MT. Afghanistan is forecast to import about 1.9 MMT of wheat and 170,000 MT of rice, primarily from Pakistan and Kazakhstan, to meet the total demand for grain in MY 2014/15. Post revised MY 2013/14 estimates for both wheat and rice due to the availability of improved data as we moved further into the crop year. Estimates are derived from the Ministry of Agriculture, Irrigation and Livestock's (MAIL) December 2013 Agriculture Prospect Report, which outlines production by province (see Table 1).

Executive Summary:

Wheat

Post expects another above average wheat crop in marketing year (MY) 2014/15, with a slight production increase of two percent, as a result of heavy February snowfall and continued precipitation in March. Total production is forecast at 5.3 million metric tons (MMT). Pakistan exports of wheat flour to Afghanistan are expected to reach about 600,000 MT, and Kazakhstan is expected to export 375,470 MT in MY 2013/14. Pakistan and Kazakhstan are the leading suppliers of Afghanistan's wheat and wheat flour imports.

Wheat and wheat flour prices in Afghanistan moved slightly higher with the increase in international wheat prices, but overall prices were stable in urban markets due to the above average domestic harvest in MY 2013/14. Wheat consumption is expected to increase by 2.6 percent, keeping pace with an increasing population, particularly in urban areas. Post estimates Afghanistan's wheat stocks in MY 2014/15 at 935,000 metric tons (MT), as it's expected that the extra production from two years of above average harvest will be stored in individual homes. In addition, the government of India has made a significant donation of wheat to Afghanistan's strategic grain reserves. Wheat is the most important crop in Afghanistan, supplying over half of the population's caloric intake, but consumers are gradually increasing their consumption of rice.

Rice

Rice production is expected to see a slight increase to 520,000 MT in MY 2014/15. Pakistan will remain the dominant supplier of rice to Afghanistan, as the country commands 95 percent of the import market share. Post revised MY 2013/14 estimates of rice consumption to 670,000 MT, an eight percent increase from the previous marketing year reflecting increased consumer demand for rice in urban areas.

Commodities:

Wheat

PRODUCTION

FAS/Kabul forecasts MY 2014/15 wheat production at 5.3 MMT, up two percent from last year due to greater water availability, better snow accumulation during the winter, and favorable weather conditions.

Snowfall was very light in December and January, causing some early concerns that there would be insufficient snowmelt for irrigation of the wheat crop. However, early February brought heavy snowfall across the country that reduced precipitation deficits. This encouraged farmers in the northern areas of the country to prepare for normal spring cultivation which took place in late February/early March. Snow continued through February, followed by above normal rainfall in March. As long as precipitation remains adequate through the spring, post expects rain-fed yields will increase slightly. Wheat area harvested is expected to remain largely unchanged from previous years at about 2.5 million hectares (ha).

Post raised MY 2013/14 production estimates significantly, based on improved production data that came available through MAIL further into the crop year. Table 1 below outlines wheat production by province as reported in the December 2013 MAIL Agriculture Prospect Report. The report estimates MY2013/14 production at 5,169 MMT, based on provincial assessment reports and interviews with farmers by the Directorates of Agriculture, Irrigation, and Livestock (DAILs).

Table 1. Area, production, and yield of irrigated and rain-fed wheat by province in 2013.

Region		Irrigated Wheat			Rain-fed Wheat			Total Wheat		
	Provinces	Area	Yield	Production	Area	Yield	Production	Area	Yield	Production
		(ha)	(t/ha)	(MT)	(ha)	(t/ha)	(MT)	(ha)	(t/ha)	(MT)
North										
	Faryab	33100	2.10	69510	172800	0.60	103680	205900	0.84	173190
	Juzjan	48600	2.00	97200	136800	0.70	95760	185400	1.04	192960
	Sar-i-Pul	33200	3.30	109560	72800	1.48	107744	106000	2.05	217304
	Balkh	87300	3.10	270630	118200	1.58	186756	205500	2.23	457386
	Samangan	12200	1.95	23790	125400	1.22	152988	137600	1.28	176778
North-East										
	Bughlan	50000	3.70	185000	61800	1.56	96408	111800	2.52	281408
	Kunduz	85400	3.60	307440	37300	1.48	55204	122700	2.96	362644
	Takhar	65300	3.70	241610	164200	1.58	259436	229500	2.18	501046
	Badakhshan	29400	2.50	73500	139100	1.48	205868	168500	1.66	279368
West										
	Herat	82400	2.90	238960	135400	1.38	186852	217800	1.96	425812
	Farah	26800	2.70	72360				26800	2.70	72360
	Badghis	19200	2.10	40320	80200	1.23	89646	99400	1.40	138966
West-Central										
	Ghor	24100	1.10	26510	49200	0.30	14760	73300	0.56	41270
	Bamyan	12400	1.60	19840	11500	0.50	5750	23900	1.07	25590
Central										

	Kabul	24100	3.40	81940	1659	1.22	2024	25759	3.26	83964
	Parwan	27400	3.00	82200	8700	0.92	8004	36100	2.50	90204
	Panjsher	7100	3.30	23430	2100	0.87	1827	9200	2.75	25257
	Kapisa	14300	3.30	47190	1100	1.11	1221	15400	3.14	48411
	Logar	21600	2.80	60480	10900	0.88	9592	32500	2.16	70072
	Wardak	26100	3.90	101790	11200	1.48	16576	37300	3.17	118366
South										
	Paktya	20620	2.10	43302	1185	1.21	1434	21805	2.05	44736
	Paktika	30000	1.90	57000	9500	1.10	10450	39500	1.71	67450
	Khost	14600	3.20	46720	1448	1.23	1781	16048	3.02	48501
	Ghazni	58000	3.50	203000	4200	0.88	3696	62200	3.32	206696
East										
	Nangarhar	68400	3.70	253080				68400	3.70	253080
	Laghman	14100	3.70	52170				14100	3.70	52170
	Kunarha	14300	3.50	50050	8100	1.10	8910	22400	2.63	58960
	Nooristan	6100	3.00	18300	1000	1.31	1310	7100	2.76	19610
South-West										
	Kandahar	41300	3.50	144550	3350	1.12	3752	44650	3.32	148302
	Helmand	98000	3.15	308700				98000	3.15	308700
	Zabul	18200	2.60	47320	3000	1.21	3630	21200	2.40	50950
	Nimroz	21630	2.50	54075	1430	1.23	1759	23060	2.42	55834
	Uruzgan	24800	2.00	49600	2000	0.70	1400	26800	1.90	51000
	Daikunde	10200	1.70	17340	7100	0.50	3550	17300	1.21	20890
AFGHANISTAN								**2,552,922**	**2.02**	**5,169,235**

Source: MAIL December 2013 Agriculture Prospect Report

Afghanistan's wheat seed sector has been revitalized with the assistance of the international community. The Ministry of Agriculture, Irrigation, and Livestock (MAIL) has distributed 5,000 MT of certified wheat seed and 15,000 MT urea and DAP fertilizers through its National Seed Distribution Program for the MY 2013/14 wheat planting season. According to MAIL, the total annual demand for wheat seed is about 300,000 MT. The domestic seed industry developed and produced approximately 40,000 MT of improved wheat seed in calendar year 2013, a 33 percent increase compared to last year. During the last decade, almost all improved wheat seed was sold to MAIL and donor agencies for wheat seed distribution programs. These wheat seeds and chemical fertilizers (urea and DAP) were distributed to farmers at subsidized rates. Despite the significant growth in production and availability of improved wheat seed, only small quantities of improved wheat seed are purchased directly by farmers in commercial markets. The primary source of seed for Afghan farmers is still through their own farm-saved seeds.

TRADE

Post forecasts MY 2014/15 wheat imports at 1.86 MMT, a two percent increase from the previous year due an expectation of reduced foreign food aid. Post revised MY 2013/14 wheat imports to 1.83 MMT as higher production lessened the need for imported wheat.

Afghanistan has an intricate network of grain and flour traders that are highly skilled at importing flour to fill deficits. Kazakhstan and Pakistan are the dominant external suppliers of wheat flour to Afghanistan, together accounting for 53 percent of Afghanistan's import requirements. Afghan traders report that wheat imports from Kazakhstan and Pakistan are linked – if imports from Pakistan are disrupted, traders will import more from Kazakhstan, and vice versa. Pakistan is the top supplier in

most years. However, Kazakhstan was the number one exporter of wheat flour to Afghanistan in MY 2011/12 at more than one million MT, due to broad availability of wheat flour in Kazakhstan's domestic market and moderate prices. Afghan imports from Kazakhstan fell in MY 2012/13 and are estimated at 375,470 MT for MY 2013/14. Post estimates 600,000 MT of wheat flour imports from Pakistan during MY 2013/14, a 17 percent increase from MY 2012/13, as supply lines between Afghanistan and Pakistan have improved recently. Pakistan traditionally exports wheat flour to Afghanistan shortly after their harvest ends in June, and continues to do so until April of the following year when the Government of Pakistan adjusts its subsidies to further encourage or discourage trade depending on internal factors. Iran is playing a progressively more important role in the western Afghan market (Herat City) in response to growing population, exporting 53,000 MT of wheat equivalent in MY 2013/14.

The following table is a breakdown of Afghanistan's wheat imports. It is important to note row six, as it captures the informal trade along Afghanistan's porous borders. Speaking with Afghan traders, Post estimates that at least eight percent of wheat imports to Afghanistan go unreported.

Table 2. Afghanistan: Wheat and Wheat Equivalent Import Trade Matrix, in Metric Tons

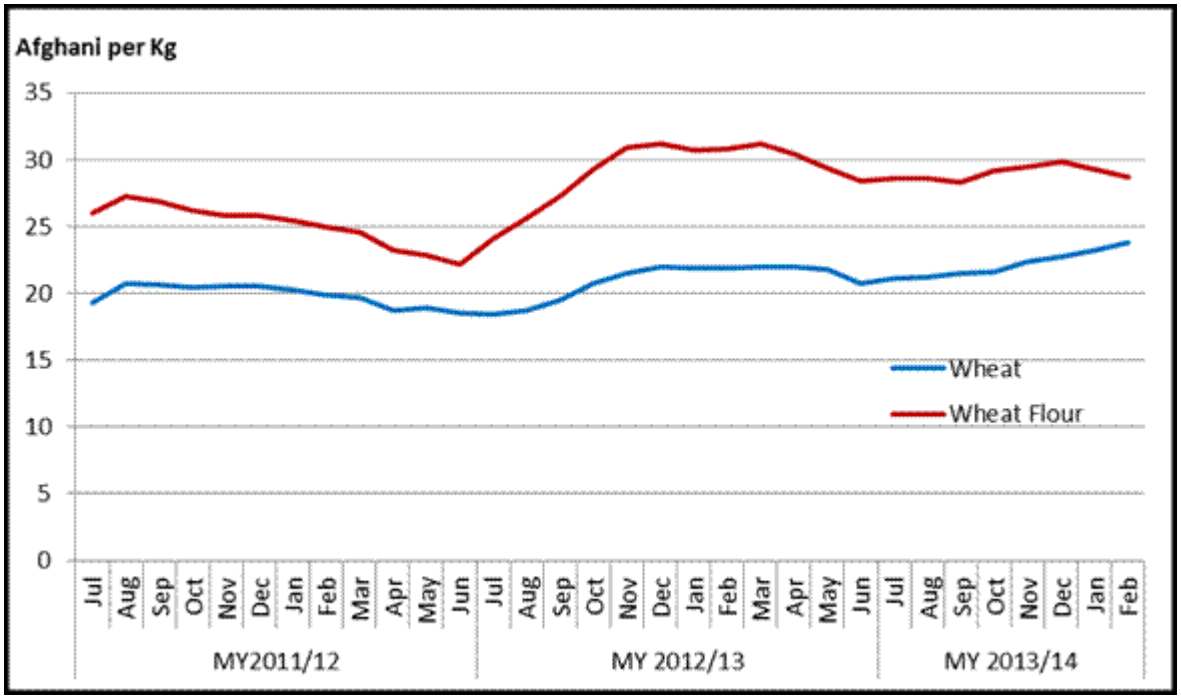
	Country by Origin	**MY 2011/12**	**MY 2012/13**	**MY 2013/14 Estimated**
1	Kazakhstan	1,000,000	360,000	375,470
2	Uzbekistan	200,000	250,000	200,000
3	Pakistan	410,000	500,000	600,000
4	Other Countries	90,000	94,000	358,060
5	Food Aid	150,000	150,000	146,470
6	Informal Trade	150,000	250,000	150,000
	Total	**2,000,000**	**1,604,000**	**1,830,000**

Source: *Row 1 & Row 4: Data obtained from Global Trade Information System*
Row 2 & Row 3: Wheat/Flour Exports data from FAS Tashkent and FAS Islamabad
Row 5: International Food Aid – wheat products
Row 6: Informal trade –based on discussion with traders and millers

PRICES

According to the World Food Program's (WFP) price series information, average prices in Afghanistan's five main urban markets were $0.34/kg for wheat and $0.45/kg for wheat flour from July 2013 to February 2014. The prices increased slightly from October-December 2013 and then decreased slightly from January-February 2014. The price fluctuated as a result of the depreciation of the Afghan Afghani against the U.S. dollar in this period. Using the month of February as a comparison point, the average price over the five-year period from 2009-2013 increased significantly for both wheat (24 percent increase) and wheat flour (14.5 percent increase).

Figure 1. Afghanistan: Wheat and Wheat Flour Retail Prices July 2011- February 2014



Source: WFP – VAM Market Price Bulletins
Current Exchange Rate: 1 USD = 57 Afghan Afghanis

STOCKS

Post forecasts Afghanistan's MY 2014/15 year-end wheat stocks at 935,000 MT. A combination of factors has led to this expected increase in stocks. It is expected that wheat from two years of above average wheat harvest will be held on individual farms. Also, MAIL has been working to establish strategic grain reserves for the wheat-deficient country to be used in emergencies and to stabilize wheat prices. To this end, the Afghan government makes purchases of wheat from small-scale domestic farmers, and the government of India is providing donations of 150,000 MT of wheat from 2013-2015 to contribute to these grain reserves. It is worth noting that the additional storage on individual farms will likely lead to large spoilage rates, as proper storage is not commonly practiced in Afghanistan. However, there is no way to collect data or estimate these losses that take place at the individual and village level.

CONSUMPTION

FAS/Kabul forecasts Afghanistan's MY2014/15 wheat consumption at 6.7 MMT. Consumption was adjusted for MY 2013/14 as more accurate population data has come available. Population estimates still vary widely, but Post used the CIA World Factbook estimate for 2014 to calculate food consumption. Population is increasing at an annual rate of two to three percent. MY2014/15

consumption estimates increased based on expected population increases.

Wheat is the most important staple crop in Afghanistan as it supplies over half of the population's caloric intake. Afghans prepare naan (flat bread), the staple food, from wheat. Afghan wheat is generally of relatively low quality, does not bake well, has low protein content, and often requires blending with higher quality imported wheat. Afghans are primarily concerned with baking characteristics and appearance and pay little attention to protein content or nutritional value.

The milling industry is made up of five public mills, twelve commercial mills, and many small scale water and diesel mills called "*asiab" or "zheranda*." Public mills constructed in major Afghan cities by the Soviet Union in the 1980s consist of large grain silos (with large storage capacity), flour mills, and bakeries. During the Afghan civil war, all of these mills were partially or completely destroyed. The public mill in Kabul is operational and the adjacent bakery prepares bread for the Afghan National Army. The public mill in Mazar-e-Sharif is rarely used for milling and mostly used to store grain. Public mills in Kandahar, Herat, and Pul-e-Khumri are not functional and are used only for storage. Current storage in public mills is in bags as all mechanical silos have been damaged.

Twelve commercial mills are located in Kabul, Mazar-e-Sharif, Jalalabad, and Herat, with a milling capacity ranging from 80 to 500 tons per day. These mills do not operate at full capacity and on occasion shut down entirely due to competition from imported wheat flour, or the unavailability of wheat grain, labor, and electricity at cost-effective rates. Post estimates that more storage exists at private mills than at public mills.

Small scale *"asiab" or "zheranda"* are the most important subsector of the milling sector and process more than 90 percent of domestic production. These mills play a particularly important role in rural areas where lack of transportation prohibits the internal movement of grain. These small-scale mills process one to three tons of wheat per day and normally operate on a fee for service basis where farmers compensate the miller with a portion of the milled flour.

Table 3. Afghanistan: Wheat Production, Supply, and Distribution

Wheat Afghanistan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,512	2,512	2,500	2,550		2,560
Beginning Stocks	70	70	80	80		550
Production	4,150	4,150	4,050	5,170		5,270
MY Imports	1,600	1,604	2,000	1,830		1,860
TY Imports	1,600	1,604	2,000	1,830		1,860
TY Imp. from U.S.	0	0	0	0		0
Total Supply	5,820	5,824	6,130	7,080		7,680
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	620	620	605	775		790
FSI Consumption	5,120	5,420	5,440	5,795		5,955
Total Consumption	5,740	6,040	6,045	6,570		6,745

Ending Stocks	80	80	85	550		935
Total Distribution	5,820	6,120	6,130	7,120		7,367
1000 HA, 1000 MT, MT/HA						

Rice, Milled

PRODUCTION

Post forecasts Afghanistan's MY 2014/15 rice production at 520,000 MT from a harvested area of 205,000 hectares, with production increasing marginally and cultivated area unchanged from the previous year. The average yield was 2.5 MT/hectare in MY 2013/14. However, yields have increased significantly in some areas due to favorable weather conditions, sufficient water availability, and technical support provided by the international community. Kunduz province, for example, saw yields increase to 4 MT/hectare this marketing year.

Post adjusted MY 2013/14 rice production from 460,000 MT to 510,000 MT based on improved data that was available as we moved further into the crop year. Discussions with the ministry at the central and provincial levels, as well as with the Japanese International Cooperation Agency, which specializes in rice, indicated that good weather and precipitation has led to increased rice yields. Rice is sparsely cultivated throughout Afghanistan but is the second most important grain. Joponica, Indica, Sardri, Nilofar, Bara, Basmati 385, and Shah Lawangi are the most common types of rice growing in Afghanistan.

The local milled rice is not competitive with imported rice, and more than 90 percent of rice is processed by hand and consumed locally. Afghanistan has only two modern rice processing mills in Kunduz and Nangarhar provinces, recently established by private companies, with processing capacities of 15 to 20 metric tons per day. The rice processing facilities are not operating at full capacity because the processing mills do not have parboiling equipment or adequate storage capacity and have weak market linkages.

TRADE

Post forecasts Afghanistan's MY 2014/15 rice imports at 170,000 MT as a result of continued demand for imported rice in urban areas. Post estimated MY 2013/14 rice imports at 160,000 MT as better domestic production reduced the need for imports. Pakistan is the leading supplier of rice to Afghanistan, accounting for more than 95 percent of the imported rice market, and will remain the low cost supplier for Afghan rice imports for the foreseeable future. India has exported between 950 and 975 MT in the last two market years. According to Afghan traders, Indian rice would be more competitive with Pakistani rice if there was a shorter trade route. Rice imports overall will likely increase over time as there is limited land in Afghanistan that is suitable for rice cultivation.

CONSUMPTION

Post forecasts MY 2014/15 rice consumption at 690,000 MT, a slight increase of three percent from the previous year, which is the result of increased demand for rice in urban areas. In general, Afghan consumers prefer the imported Super Kernel Basmati "Sella" rice because of the taste and cooking

characteristics. Basmati Sella rice constitutes 85 percent of total rice imports.
Per capita consumption of rice will continue to increase in future years because of rapid urbanization and rising per capita income. The growing Afghan middle class in urban areas are eating more basmati rice with lamb, chicken, and beef. Afghans cook the rice with raisins and carrots to prepare a famous Afghan dish called Qabuli Pulao.

Rice, Milled Prices

According to the World Food Program's (WFP) price series information, average prices in Afghanistan's five main urban markets for imported rice during February 2014 were $1.5/kg, a slight decrease of 1.4 percent compared to February 2013. The average price of local rice was $0.76/kg during February 2014, a 2.6 percent decrease compared to February 2013. In the five-year period from 2009-2013, the average price of imported rice increased by 32.6 percent, and local rice increased by 20 percent.

Table 4. Afghanistan: Rice Production, Supply, and Distribution

Rice, Milled Afghanistan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	205	205	205	205		205
Beginning Stocks	0	0	0	0		0
Milled Production	460	460	460	510		520
Rough Production	708	708	708	785		800
Milling Rate (.9999)	6,500	6,500	6,500	6,500		6,500
MY Imports	190	160	200	160		170
TY Imports	190	160	200	160		170
TY Imp. from U.S.	0	0	0	0		0
Total Supply	650	620	660	670		690
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	650	620	660	670		690
Ending Stocks	0	0	0	0		0
Total Distribution	650	620	660	670		690
1000 HA, 1000 MT, MT/HA						